

WAPELLO COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS

JUNE 30, 2015

WAPELLO COUNTY, IOWA

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WAPELLO COUNTY, IOWA

Officials

<u>Name</u>	(Before January 2015) <u>Title</u>	<u>Term Expires</u>
Jerry Parker	Board of Supervisors	January 2015
Greg Kenning	Board of Supervisors	January 2015
Steve Siegel	Board of Supervisors	January 2017
Kelly Spurgeon	County Auditor	January 2017
Dianne L. Kiefer	County Treasurer	January 2015
Mark Miller	County Sheriff	January 2017
Lisa Holl	County Attorney	January 2015
Gary Smith	County Assessor	January 2016
(After January 2015)		
Jerry Parker	Board of Supervisors	January 2019
Greg Kenning	Board of Supervisors	January 2019
Steve Siegel	Board of Supervisors	January 2017
Kelly Spurgeon	County Auditor	January 2017
Roberta Roth-Neff	County Treasurer	January 2019
Mark Miller	County Sheriff	January 2017
Gary Oldenburger	County Attorney	January 2019
Gary Smith	County Assessor	January 2016
Lisa Kent	County Recorder	January 2019

## INDEPENDENT AUDITOR'S REPORT

To the Elected Officials of  
Wapello County, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wapello County, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Wapello County, Iowa's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wapello County, Iowa, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Emphasis of Matter***

As discussed in Note 7 to the financial statements, Wapello County, Iowa adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions -- an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require management's discussion and analysis, the budgetary comparison information, the schedule of the county's proportionate share of the net pension liability, the schedule of county contributions and the schedule of funding progress for the retiree health plan on pages 4 through 9 and 41 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wapello County, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2016, on our consideration of Wapello County, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wapello County, Iowa's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
February 25, 2016

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Wapello County, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

## 2015 FINANCIAL HIGHLIGHTS

- ◆ County revenue decreased 4.3%, or \$878,443 from fiscal year 2014 to 2015.
- ◆ County program expenses were 8.3% or \$1,683,635 less in fiscal year 2015 than in 2014.
- ◆ The County's net position increased 2.4%, or \$975,651, during the year ended June 30, 2015.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Wapello County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Wapello County, Iowa's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Wapello County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### Fund Financial Statements

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. A Proprietary fund is used to account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

3. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in net position for governmental activities.

# Net Position of Governmental Activities

	June 30, 2015	June 30, 2014, As Restated
Current and other assets	\$ 25,320,323	\$ 25,842,200
Capital assets	<u>37,650,525</u>	<u>36,334,269</u>
Total assets	<u>62,970,848</u>	<u>62,176,469</u>
Deferred outflows of resources	<u>698,075</u>	<u>516,827</u>
Long-term liabilities	9,867,628	11,397,689
Other liabilities	<u>1,185,262</u>	<u>1,028,749</u>
Total liabilities	<u>11,052,890</u>	<u>12,426,438</u>
Deferred inflows of resources	<u>11,168,175</u>	<u>9,794,651</u>
Net position:		
Net investment in capital assets	31,420,056	30,034,223
Restricted	12,069,785	12,193,154
Unrestricted	<u>(2,041,983)</u>	<u>(1,755,170)</u>
Total net position	\$ <u>41,447,858</u>	\$ <u>40,472,207</u>

Net position of the County's governmental activities increased by 2.4% (\$41,447,858 compared to \$40,472,207). The largest portion of the County's net position is the investment in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from (\$1,755,170) at June 30, 2014 to (\$2,041,983) at June 30, 2015, a decrease of 16.3%.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$3,600,095 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for pension expense and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.



## Changes in Net Position of Governmental Activities

	June 30, <u>2015</u>	June 30, <u>2014</u>
Revenues:		
Program revenues:		
Charges for service	\$ 1,179,314	\$ 988,293
Operating grants, contributions and restricted interest	3,791,263	4,206,148
Capital grants, contributions and restricted interest	1,789,541	2,602,041
General revenues:		
Property tax	9,639,806	9,850,138
Local option sales tax	1,474,558	1,499,176
Unrestricted investment earnings	17,071	11,843
Other general revenues	<u>1,573,675</u>	<u>1,186,032</u>
Total revenues	<u>19,465,228</u>	<u>20,343,671</u>
Program expenses:		
Public safety and legal services	3,962,504	3,937,417
Physical health and social services	1,214,396	1,326,955
Mental health	1,833,615	1,409,786
County environment and education	910,726	854,380
Roads and transportation	6,086,262	8,188,868
Governmental services to residents	977,052	1,113,401
Administration	3,245,692	3,046,405
Non-program	185,436	125,118
Interest on long-term debt	<u>73,894</u>	<u>170,882</u>
Total expenses	<u>18,489,577</u>	<u>20,173,212</u>
Change in net position	975,651	170,459
Net position – Beginning of year, as restated	<u>40,472,207</u>	<u>43,905,912</u>
Net position – End of year	\$ <u>41,447,858</u>	\$ <u>44,076,371</u>

The results of governmental activities for the year resulted in Wapello County, Iowa's net position increasing by \$975,651. Revenues for governmental activities decreased by \$878,443 from the prior year, including decreases in capital grants, contributions and restricted interest. Expenditures decreased by \$1,683,635 including decreases in roads and transportation expenses.

The cost of all governmental activities this year was \$18,489,577 compared to \$20,173,212 last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$11,729,459 because some of the cost was paid by those directly benefited from the programs (\$1,179,314) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,580,804).

### INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$14,249,307, which is a decrease of \$295,433 from last year's total of \$14,544,740.

- General Fund revenues and expenditures decreased by 3.5% and .6%, respectively, when compared to the prior year. The ending fund balance showed an increase from the prior year of \$6,965 (prior year increase was \$383,889) from \$3,452,682 to \$3,459,647.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$1,831,126, an increase of 31.7% from the prior year. The Mental Health Fund balance at year end increased by \$55,095 (prior year increase was \$542,965) from the prior year due to increased expenditures.
- Secondary Roads Fund expenditures increased \$1,250,962 from the prior year, other financing sources increased \$959,514 due to debt proceeds. As a result, there was a decrease in the Secondary Roads Fund ending balance of \$174,920, or 22.2%.
- Rural Services Fund ending fund balance increased from the prior year by \$89,374 to \$444,094. This was primarily due to an increase in revenues.
- During the year ended June 30, 2015, the Debt Service Fund ending balance decreased by \$22,649 (prior year decrease was \$1,406,263) due to the refunding of previously issued debt to \$572,391.
- At the end of the year, the ending fund balance in the Capital Projects Fund had decreased to \$2,084,190, partially due to transfers out of \$275,000.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Wapello County, Iowa amended its budget once. As a result of the amendment, budgeted receipts increased \$225,675 including \$225,675 for miscellaneous receipts. Budgeted disbursements increased \$562,264 (including \$300,000 for capital projects) as a result of the budget amendment.

The County's receipts were \$13,616 more than budgeted, a variance of .07%. The most significant variance resulted from the County receiving less property and other county tax than anticipated. After the budget amendment, actual disbursements were \$3,420,849 less than the amounts budgeted. This includes \$1,958,428 and \$454,362 in the capital projects and mental health functions, respectively.

## **CAPTIAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2015, Wapello County, Iowa had \$37,650,525 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, and roads and bridges. This amount represents a net increase (including additions, deletions and depreciation) of \$1,316,256 or 3.6% more than the prior year.

#### **Capital Assets of Governmental Activities at Year End**

	<b>June 30, 2015</b>	<b>June 30, 2014, As Restated</b>
Land	\$ 1,438,164	\$ 1,438,164
Construction in progress	1,480,022	1,188,487
Buildings	9,213,039	9,707,622
Machinery and equipment	2,492,507	1,989,602
Infrastructure	<u>23,026,793</u>	<u>22,010,394</u>
Totals	\$ <u>37,650,525</u>	\$ <u>36,334,269</u>
The year's major additions included:		
Land	\$ -	\$ 115,422
Construction in progress	1,480,022	1,188,487
Machinery and equipment	986,710	865,109
Infrastructure	<u>1,104,948</u>	<u>1,482,155</u>
	\$ <u>3,571,680</u>	\$ <u>3,651,173</u>

The County had depreciation expense of \$2,255,424 for the year ended June 30, 2015, and total accumulated depreciation as of June 30, 2015 of \$36,699,103.

### **Long-term Liabilities**

At June 30, 2015, the County had \$9,867,628 in general obligation notes and other long-term liabilities compared to \$11,397,689 at June 30, 2014, as shown below.

#### **Outstanding Long-term liabilities of Governmental Activities at Year-End**

	<b>June 30, 2015</b>	<b>June 30, 2014, As Restated</b>
Installment purchases	\$ 73,654	\$ 112,910
General obligation capital loan notes	4,880,000	5,595,000
Capital leases	1,276,815	592,136
Compensated absences	634,013	600,438
Net pension liability	2,529,712	4,116,922
Net OPEB liability	<u>473,434</u>	<u>380,283</u>
Total	\$ <u>9,867,628</u>	\$ <u>11,397,689</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below its constitution debt limit of \$56,713,956. Other obligations include accrued vacation pay and sick leave, installment purchases, capital leases, net pension liability and net OPEB liability. Additional information about the County's long-term liabilities is presented in Note 6 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Wapello County, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and the fees charged for the various County activities. One of those factors is the economy. Unemployment in the County (as of June 2015) now stands at 4.9% versus 5.5% a year ago. This compares with the State's unemployment rate of 3.6% and the national rate of 5.3%.

Inflation in the State is lower than the national Consumer Price Index increase. The State's CPI decrease was 1.860% for fiscal year 2014 compared with the national increase of .239%.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are decreasing by \$13,462 compared to the final fiscal year 2015 budget. Miscellaneous revenues are expected to make up the majority of this decrease. Budgeted disbursements are expected to increase by \$2,421,363 compared to the final fiscal year 2015 budget. Increases in Mental health expenditures represent the majority of the increase. The County has added no major new programs or initiatives to the fiscal year 2016 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease \$5,750,590 by the close of fiscal year 2016.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Wapello County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Wapello County Auditor's Office, 101 West Fourth Street, Ottumwa, Iowa.

## BASIC FINANCIAL STATEMENTS

WAPELLO COUNTY, IOWA  
STATEMENT OF NET POSITION  
JUNE 30, 2015

Governmental  
Activities

ASSETS:

Cash, cash equivalents and pooled investments	\$ 14,126,586
Receivables:	
Property tax:	
Delinquent	25,706
Succeeding year	9,726,217
Accounts	77,284
Loan	490,000
Due from other governments	653,258
Inventories	221,272
Capital assets (net of accumulated depreciation)	37,650,525
Total assets	<u>62,970,848</u>

DEFERRED OUTFLOWS OF RESOURCES:

Pension related deferred outflows	<u>698,075</u>
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LIABILITIES:

Accounts payable	937,122
Salaries and benefits payable	100,942
Due to other governments	141,882
Accrued interest payable	5,316
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	710,000
Compensated absences	634,013
Installment purchases	40,736
Capital leases	280,920
Portion due or payable after one year:	
General obligation capital loan notes	4,170,000
Installment purchases	32,918
Capital leases	995,895
Net OPEB liability	473,434
Net pension liability	2,529,712
Total liabilities	<u>11,052,890</u>

DEFERRED INFLOWS OF RESOURCES:

Unavailable property tax revenue	9,726,217
Pension related deferred inflows	1,441,958
Total deferred inflows of resources	<u>11,168,175</u>

NET POSITION:

Net investment in capital assets	31,420,056
Restricted for:	
Supplemental levy	1,278,125
Mental health	4,264,964
Secondary roads	613,926
LEC maintenance	2,273,999
Capital projects	2,084,190
Debt service	572,391
Other purposes	982,190
Unrestricted	(2,041,983)
Total net position	<u>\$ 41,447,858</u>

## WAPELLO COUNTY, IOWA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

			Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	Expenses	Charges for Service			
<b><u>FUNCTIONS/PROGRAMS:</u></b>					
Governmental activities:					
Public safety and legal services	\$ 3,962,504	\$ 362,387	\$ 49,792	\$ -	\$ (3,550,325)
Physical health and social services	1,214,396	142,820	160,091	-	(911,485)
Mental health	1,833,615	14,744	256,908	-	(1,561,963)
County environment and education	910,726	16,308	28,626	-	(865,792)
Roads and transportation	6,086,262	128,182	3,002,544	1,789,541	(1,165,995)
Governmental services to residents	977,052	499,899	260,277	-	(216,876)
Administration	3,245,692	14,974	22,497	-	(3,208,221)
Non-program	185,436	-	-	-	(185,436)
Interest on long-term debt	73,894	-	10,528	-	(63,366)
Total	\$ <u>18,489,577</u>	\$ <u>1,179,314</u>	\$ <u>3,791,263</u>	\$ <u>1,789,541</u>	<u>(11,729,459)</u>
<b><u>GENERAL REVENUES:</u></b>					
Property tax levied for:					
General purposes					8,940,906
Debt service					698,900
Local option tax					1,474,558
Penalty and interest on property tax					162,990
State tax credits					784,810
Unrestricted investment earnings					17,071
Gain on disposal of capital assets					22,324
Miscellaneous					603,551
Total general revenues					<u>12,705,110</u>
Change in net position					975,651
<b><u>NET POSITION</u></b> - Beginning of year, as restated					<u>40,472,207</u>
<b><u>NET POSITION</u></b> - End of year					\$ <u>41,447,858</u>

WAPELLO COUNTY, IOWA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue</u>		
		<u>MH-DD</u>	<u>Secondary Roads</u>	<u>Rural Services</u>
Cash, cash equivalents and pooled investments	\$ 3,561,303	\$ 4,407,989	\$ 667,944	\$ 413,980
Receivables:				
Property tax:				
Delinquent	16,806	4,173	-	2,858
Succeeding year	6,358,731	1,578,850	-	1,081,331
Accounts	74,143	-	682	121
Loan	-	-	-	-
Due from other governments	63,528	41,831	254,022	40,583
Inventories	-	-	221,272	-
<b>TOTAL ASSETS</b>	<b>\$ 10,074,511</b>	<b>\$ 6,032,843</b>	<b>\$ 1,143,920</b>	<b>\$ 1,538,873</b>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 176,894	\$ 56,878	\$ 495,167	\$ 1,709
Salaries and benefits payable	56,817	1,915	33,569	8,641
Due to other governments	11,055	128,386	1,258	762
Total liabilities	<u>244,766</u>	<u>187,179</u>	<u>529,994</u>	<u>11,112</u>
 <u>DEFERRED INFLOWS OF RESOURCES:</u>				
Unavailable revenues:				
Succeeding year property tax	6,358,731	1,578,850	-	1,081,331
Other	11,367	3,850	-	2,336
Total deferred inflows of resources	<u>6,370,098</u>	<u>1,582,700</u>	<u>-</u>	<u>1,083,667</u>
 <u>FUND BALANCES:</u>				
Nonspendable:				
Inventories	-	-	221,272	-
Restricted for:				
Debt service	-	-	-	-
Supplemental levy purposes	1,278,125	-	-	-
Mental health	-	4,262,964	-	-
Secondary roads	-	-	392,654	-
Capital projects	-	-	-	-
Other purposes	-	-	-	444,094
Unassigned	2,181,522	-	-	-
Total fund balances	<u>3,459,647</u>	<u>4,262,964</u>	<u>613,926</u>	<u>444,094</u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 10,074,511</b>	<b>\$ 6,032,843</b>	<b>\$ 1,143,920</b>	<b>\$ 1,538,873</b>

See Notes to Financial Statements

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 82,179	\$ 1,951,926	\$ 2,789,528	\$ 13,874,849
1,869	-	-	25,706
707,305	-	-	9,726,217
1	13	1,421	76,381
490,000	-	-	490,000
-	212,711	40,583	653,258
-	-	-	221,272
<u>\$ 1,281,354</u>	<u>\$ 2,164,650</u>	<u>\$ 2,831,532</u>	<u>\$ 25,067,683</u>

\$ -	\$ 80,460	\$ 19,016	\$ 830,124
-	-	-	100,942
-	-	421	141,882
<u>-</u>	<u>80,460</u>	<u>19,437</u>	<u>1,072,948</u>

707,305	-	-	9,726,217
1,658	-	-	19,211
<u>708,963</u>	<u>-</u>	<u>-</u>	<u>9,745,428</u>

-	-	-	221,272
572,391	-	-	572,391
-	-	-	1,278,125
-	-	-	4,262,964
-	-	-	392,654
-	2,084,190	-	2,084,190
-	-	2,812,095	3,256,189
-	-	-	2,181,522
<u>572,391</u>	<u>2,084,190</u>	<u>2,812,095</u>	<u>14,249,307</u>

<u>\$ 1,281,354</u>	<u>\$ 2,164,650</u>	<u>\$ 2,831,532</u>	<u>\$ 25,067,683</u>
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## WAPELLO COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015

TOTAL GOVERNMENTAL FUND BALANCES	\$ 14,249,307
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AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$74,349,628 and the accumulated depreciation is \$36,699,103.	37,650,525
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The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	145,642
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Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows in the governmental funds.

Property tax	19,211
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Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental fund, as follows:

Deferred outflows of resources	\$ 698,075	
Deferred inflows of resources	<u>(1,441,958)</u>	(743,883)

Long-term liabilities, including accrued interest payable, installment purchases, general obligation capital loan notes, capital leases, compensated absences, net pension liability and net OPEB liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(9,872,944)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>41,447,858</u>
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WAPELLO COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

		<u>Special Revenue</u>	
	<u>General</u>	<u>MH-DD</u>	<u>Secondary Roads</u>
<b><u>REVENUES:</u></b>			
Property and other county tax	\$ 6,211,365	\$ 1,557,529	\$ -
Interest and penalty on property tax	162,990	-	-
Local option sales tax	-	-	-
Intergovernmental	1,213,097	321,182	2,760,884
Licenses and permits	150	-	5,135
Charges for service	838,262	4,292	6,656
Use of money and property	222,883	-	-
Miscellaneous	374,498	3,218	80,286
Total revenues	<u>9,023,245</u>	<u>1,886,221</u>	<u>2,852,961</u>
<b><u>EXPENDITURES:</u></b>			
Operating:			
Public safety and legal services	3,563,490	-	-
Physical health and social services	1,182,043	-	-
Mental health	-	1,831,126	-
County environment and education	546,154	-	-
Roads and transportation	-	-	5,077,740
Governmental services to residents	626,277	-	-
Administration	2,838,062	-	-
Non-program	120,578	-	-
Debt service	-	-	-
Capital projects	-	-	15,990
Total expenditures	<u>8,876,604</u>	<u>1,831,126</u>	<u>5,093,730</u>
Excess (deficiency) of revenues over (under) expenditures	<u>146,641</u>	<u>55,095</u>	<u>(2,240,769)</u>
Other financial sources (uses):			
Sale of capital assets	10,324	-	12,000
Proceeds from long-term debt	-	-	934,849
Operating transfers in	-	-	1,119,000
Operating transfers out	<u>(150,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(139,676)</u>	<u>-</u>	<u>2,065,849</u>
Change in fund balances	6,965	55,095	(174,920)
<b><u>FUND BALANCES - Beginning of year</u></b>	<u>3,452,682</u>	<u>4,207,869</u>	<u>788,846</u>
<b><u>FUND BALANCES - End of year</u></b>	<u>\$ 3,459,647</u>	<u>\$ 4,262,964</u>	<u>\$ 613,926</u>

<u>Special Revenue</u>			<u>Nonmajor</u>	
<u>Rural</u>	<u>Debt</u>	<u>Capital</u>	<u>Governmental</u>	<u>Total</u>
<u>Services</u>	<u>Service</u>	<u>Projects</u>	<u>Funds</u>	
\$ 1,155,875	\$ 697,242	\$ -	\$ -	\$ 9,622,011
-	-	-	-	162,990
359,672	-	755,214	359,672	1,474,558
132,698	61,477	1,259,080	20,733	5,769,151
38,846	-	-	-	44,131
350	-	-	10,263	859,823
-	35	162	55,092	278,172
8,255	8,137	-	36,880	511,274
<u>1,695,696</u>	<u>766,891</u>	<u>2,014,456</u>	<u>482,640</u>	<u>18,722,110</u>
120,378	-	-	147,075	3,830,943
-	-	-	-	1,182,043
-	-	-	-	1,831,126
215,357	-	-	56,770	818,281
292,776	-	-	-	5,370,516
2,491	-	-	18,284	647,052
6,320	-	-	38,497	2,882,879
-	-	-	-	120,578
-	789,540	-	-	789,540
-	-	2,137,124	348,644	2,501,758
<u>637,322</u>	<u>789,540</u>	<u>2,137,124</u>	<u>609,270</u>	<u>19,974,716</u>
<u>1,058,374</u>	<u>(22,649)</u>	<u>(122,668)</u>	<u>(126,630)</u>	<u>(1,252,606)</u>
-	-	-	-	22,324
-	-	-	-	934,849
-	-	-	275,000	1,394,000
<u>(969,000)</u>	<u>-</u>	<u>(275,000)</u>	<u>-</u>	<u>(1,394,000)</u>
<u>(969,000)</u>	<u>-</u>	<u>(275,000)</u>	<u>275,000</u>	<u>957,173</u>
89,374	(22,649)	(397,668)	148,370	(295,433)
<u>354,720</u>	<u>595,040</u>	<u>2,481,858</u>	<u>2,663,725</u>	<u>14,544,740</u>
\$ <u>444,094</u>	\$ <u>572,391</u>	\$ <u>2,084,190</u>	\$ <u>2,812,095</u>	\$ <u>14,249,307</u>

WAPELLO COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (295,433)

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and assets contributed exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 2,868,682	
Capital assets contributed by Iowa Department of Transportation	702,998	
Depreciation expense	<u>(2,255,424)</u>	1,316,256

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows in the governmental funds, as follows:

Property tax		17,795
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Proceeds from issuing long term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues and repayments are as follows:

Issued	(934,849)	
Repaid	<u>1,004,426</u>	69,577

The current year County employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

535,839

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(33,575)	
Accrued interest	646	
Net pension liability	(209,339)	
Net OPEB liability	<u>(93,151)</u>	(335,419)

The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.

(332,964)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 975,651

WAPELLO COUNTY, IOWA  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015

		<u>Internal Service - Wapello County Employee Health</u>
<u>ASSETS:</u>		
Current assets:		
Cash, cash equivalents and pooled investments	\$	251,737
Receivables:		
Accounts		<u>903</u>
	TOTAL ASSETS	<u>252,640</u>
<u>LIABILITIES:</u>		
Current liabilities:		
Accounts payable		<u>106,998</u>
<u>NET POSITION:</u>		
Unrestricted	\$	<u>145,642</u>

WAPELLO COUNTY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015

Internal Service -  
 Wapello County  
Employee Health

OPERATING REVENUES:

Reimbursements from operating funds

\$ 2,425,560

OPERATING EXPENSES:

Medical claims

2,758,573

Operating loss

(333,013)

NON-OPERATING REVENUES:

Interest income

49

Net loss

(332,964)

NET POSITION - Beginning of year

478,606

NET POSITION - End of year

\$ 145,642

WAPELLO COUNTY, IOWA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015

Internal Service -  
 Wapello County  
Employee Health

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from operating fund reimbursements	\$ 2,424,664
Cash payments to suppliers for services	<u>(3,000,715)</u>
NET CASH USED IN OPERATING ACTIVITIES	(576,051)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	<u>49</u>
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NET DECREASE IN CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS (576,002)

CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - Beginning of year 827,739

CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS - End of year \$ 251,737

RECONCILIATION OF OPERATING LOSS TO NETCASH USED IN OPERATING ACTIVITIES:

Operating loss	\$ (333,013)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in accounts receivable	(896)
Decrease in accounts payable	<u>(242,142)</u>
Net cash used in operating activities	\$ <u>(576,051)</u>

WAPELLO COUNTY, IOWASTATEMENT OF FIDUCIARY ASSETS AND LIABILITIESAGENCY FUNDSJUNE 30, 2015ASSETS

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 2,981,605
Other County officials	103,122

Receivables:

Accounts receivable	177,558
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Property tax receivable:

Delinquent	82,162
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Succeeding year	31,087,254
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Total assets	<u>34,431,701</u>
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LIABILITIES

Accounts payable	291,426
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Due to other governments	34,080,628
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Compensated absences	24,745
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Trusts payable	34,902
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Total liabilities	<u>34,431,701</u>
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NET POSITION	\$ <u>-</u>
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WAPELLO COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wapello County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Wapello County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of the organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Wapello County, Iowa (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

The drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Wapello County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Wapello County Auditor's office.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: County Assessor's Conference Board, County Emergency Management Commission and County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

WAPELLO COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* result when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consist of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

The MH-DD Fund is used to account for property tax and other revenues designated to be used to fund mental health, intellectual disabilities and developmental disabilities services.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

WAPELLO COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Debt Service

The Debt Service fund is utilized to account for property tax and other revenues to be used for the payment of principal and interest on the County's general long-term debt.

Capital Projects

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

Proprietary Fund

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

WAPELLO COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2014.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

WAPELLO COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of three years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Machinery and Equipment	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Infrastructure	15-50
Buildings	25-50
Machinery and Equipment	5-20

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the special revenue, MH-DD, Rural Services and Secondary Roads Funds.

WAPELLO COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Wapello County Employee Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$4,387,672 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General Fund	\$ 150,000
	Special Revenue: Rural Services	969,000
		<u>1,119,000</u>
Special Revenue: LEC-Maintenance	Capital Projects	275,000
		\$ <u>1,394,000</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

WAPELLO COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year, As Restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,438,164	\$ -	\$ -	\$ 1,438,164
Construction in progress	<u>1,188,487</u>	<u>2,584,970</u>	<u>(2,293,435)</u>	<u>1,480,022</u>
Total capital assets not being depreciated	<u>2,626,651</u>	<u>2,584,970</u>	<u>(2,293,435)</u>	<u>2,918,186</u>
Capital assets being depreciated:				
Buildings	30,939,038	-	-	30,939,038
Machinery and equipment	7,749,767	986,710	(49,930)	8,686,547
Infrastructure	<u>29,512,422</u>	<u>2,293,435</u>	-	<u>31,805,857</u>
Total capital assets being depreciated	<u>68,201,227</u>	<u>3,280,145</u>	<u>(49,930)</u>	<u>71,431,442</u>
Less accumulated depreciation for:				
Buildings	21,231,416	494,583	-	21,725,999
Machinery and equipment	5,760,165	483,805	(49,930)	6,194,040
Infrastructure	<u>7,502,028</u>	<u>1,277,036</u>	-	<u>8,779,064</u>
Total accumulated depreciation	<u>34,493,609</u>	<u>2,255,424</u>	<u>(49,930)</u>	<u>36,699,103</u>
Total capital assets being depreciated, net	<u>33,707,618</u>	<u>1,024,721</u>	-	<u>34,732,339</u>
Governmental activities capital assets, net	\$ <u>36,334,269</u>	\$ <u>3,609,691</u>	\$ <u>(2,293,435)</u>	\$ <u>37,650,525</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 261,652
Mental health	2,350
County environment and education	39,896
Roads and transportation	1,611,142
Governmental services to residents	165,036
Administration	<u>175,348</u>
Total depreciation expense – governmental activities	\$ <u>2,255,424</u>



WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 5: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2015 is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 11,055
Special Revenue:		
MH-DD	Services	128,386
Secondary roads		1,258
Recorder's electronic fees		421
Rural services		<u>762</u>
Total for governmental funds		\$ <u>141,882</u>
Agency:		
Schools	Collections	\$ 15,354,087
Corporations		14,288,952
Area schools		1,027,286
Auto license and use tax		841,153
County assessor		924,204
Townships		341,518
Agricultural extension education		219,835
E911		359,187
South Central Behavioral Health Region		479,686
All other		<u>244,720</u>
Total for agency funds		\$ <u>34,080,628</u>

NOTE 6: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	<u>General Obligation Capital Loan Notes</u>	<u>Capital Leases</u>	<u>Installment Purchases</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Net Pension Liability</u>	<u>Total</u>
Balance beginning of year, as restated	\$ 5,595,000	\$ 592,136	\$ 112,910	\$ 600,438	\$ 380,283	\$ 4,116,922	\$ 11,397,689
Increases	-	934,849	-	634,013	93,151	-	1,662,013
Decreases	<u>(715,000)</u>	<u>(250,170)</u>	<u>(39,256)</u>	<u>(600,438)</u>	<u>-</u>	<u>(1,587,210)</u>	<u>(3,192,074)</u>
Balance end of year	\$ <u>4,880,000</u>	\$ <u>1,276,815</u>	\$ <u>73,654</u>	\$ <u>634,013</u>	\$ <u>473,434</u>	\$ <u>2,529,712</u>	\$ <u>9,867,628</u>
Due within one year	\$ <u>710,000</u>	\$ <u>280,920</u>	\$ <u>40,736</u>	\$ <u>634,013</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,665,669</u>

WAPELLO COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 6: LONG-TERM LIABILITIES (Continued)**

Notes Payable

A summary of the County's June 30, 2015 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	<u>Series 2013A</u> <u>Issued March 28, 2013</u>			<u>Series 2013B</u> <u>Issued March 28, 2013</u>			<u>Total</u>		
	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	1.1%	\$ 435,000	\$ 52,180	1.1%	\$ 275,000	\$ 12,496	\$ 710,000	\$ 64,676	\$ 774,676
2017	1.1	440,000	47,394	1.1	270,000	9,470	710,000	56,864	766,864
2018	1.1	450,000	42,556	1.1	280,000	6,500	730,000	49,056	779,056
2019	1.2	450,000	37,604	1.2	285,000	3,420	735,000	41,024	776,024
2020	1.35	455,000	32,204	-	-	-	455,000	32,204	487,204
2021-2025	1.5-2.1	1,490,000	61,650	-	-	-	1,490,000	61,650	1,551,650
2026	2.1	50,000	1,050	-	-	-	50,000	1,050	51,050
		<u>\$ 3,770,000</u>	<u>\$ 274,638</u>		<u>\$ 1,110,000</u>	<u>\$ 31,886</u>	<u>\$ 4,880,000</u>	<u>\$ 306,524</u>	<u>\$ 5,186,524</u>

During the year ended June 30, 2015, the County retired \$715,000 of general obligation capital loan notes.

The Wapello County E-911 Organization has agreed to pay the County for their portion principal and interest on the Series 2013A capital loan notes as they become due. The County reports a loan receivable in the Debt Service Fund equal to the principal outstanding on these general obligation capital loan notes.

Installment Purchase Agreements

During the years ended June 30, 2015 and 2014, the County purchased equipment under installment purchase agreements. The agreements call for annual payments, including interest from 1.25% to 6%. Future maturities at June 30, 2015 are as follows:

<u>Year Ended</u> <u>June 30,</u>	
2016	\$ 40,736
2017	25,728
2018	<u>7,190</u>
	<u>\$ 73,654</u>

Capital Lease Purchase Agreements

The County has entered into three capital lease purchase agreements to lease equipment with a historical cost of \$1,423,156. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 2.04% to 2.50% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2015:

<u>Year Ended</u> <u>June 30,</u>	
2016	\$ 300,064
2017	300,064
2018	300,064
2019	300,064
2020	<u>146,649</u>
	<u>1,346,905</u>
Less amount representing interest	<u>(70,090)</u>
Present value of net minimum lease payments	<u>\$ 1,276,815</u>

Payments under capital lease purchase agreements totaled \$258,822 for the year ended June 30, 2015.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 7: PENSION PLAN

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Sheriff and deputy and protection occupation members may retire at normal retirement age which is generally at age 55. Sheriff and deputy and protection occupation members may retire anytime after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff and deputy and protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

WAPELLO COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 7: PENSION PLAN (Continued)

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the County contributed 8.93 percent for a total rate of 14.88 percent. Sheriff and deputy members and the County both contributed 9.88 percent of pay for a total rate of 19.76 percent. Protection occupation members contributed 6.76 percent of pay and the County contributed 10.14 percent for a total rate of 16.90 percent.

The County's contributions to IPERS for the year ended June 30, 2015 were \$535,839.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the County reported a liability of \$2,529,712 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was .0637865 percent, which was a decrease of .007916% from their collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$209,340. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WAPELLO COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 7: PENSION PLAN (Continued)**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 29,330	\$ 35,563
Changes of assumptions	119,100	27,296
Net difference between projected and actual earnings on pension plan investments	-	1,370,928
Changes in proportion and differences between County contributions and proportionate share of contributions	13,806	8,171
County contributions subsequent to the measurement date	<u>535,839</u>	<u>-</u>
Total	\$ <u>698,075</u>	\$ <u>1,441,958</u>

\$535,839 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (321,422)
2017	(321,422)
2018	(321,422)
2019	(321,422)
2020	5,966
	\$ <u>(1,279,722)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 7: PENSION PLAN (Continued)**

**Actuarial Assumptions (Continued)**

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23 %	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100</u> %	

**Discount Rate** – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
County's proportionate share of the net pension liability:	\$ 5,659,390	\$ 2,529,712	\$ (109,795)

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**Payables to the Pension Plan** – At June 30, 2015, the County reported payables to the defined benefit pension plan of \$43,116 for legally required employer contributions and \$30,414 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 8: RISK MANAGEMENT

Wapello County, Iowa is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2015 were \$197,549.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the County's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 9: EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Wapello County Employee Health Fund was established to account for partial self funding of the County's health insurance benefit plan. The plan is funded by County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$30,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Wapello County Employee Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to First Administrators, Inc. from the Wapello County Employee Health Fund. The County's contribution to the fund for the year ended June 30, 2015 was \$2,425,560.

Amounts payable from the Wapello County Employee Health Fund at June 30, 2015 total \$106,998 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$145,642 at June 30, 2015 and is reported as a designation of the Internal Service, Wapello County Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 349,140
Incurred claims (including claims incurred but not reported at June 30, 2015)	2,758,573
Payments	<u>3,000,715</u>
Unpaid claims end of year	\$ <u>106,998</u>

NOTE 10: CONTINGENT LIABILITIES

The County is contingently liable on United States Department of Agriculture Rural Development notes for the Wapello County Rural Fire Agency (a 28E Organization). At June 30, 2015, this loan had an outstanding balance of \$120,064. The County is contingently liable on an additional United States Department of Agriculture Rural Development note for the Wapello County Rural Fire Agency (a 28E Organization). At June 30, 2015, the note had an outstanding balance of \$46,472. Since the interest and principal are currently paid by the respective entities, these liabilities have not been recorded in the Statement of Net Position.

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 141 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by First Administers, Inc. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.



WAPELLO COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 140,373
Interest on net OPEB obligation	15,211
Adjustment to annual required contribution	<u>(15,113)</u>
Annual OPEB cost	140,471
Contributions made	<u>(47,320)</u>
Increase in net OPEB obligation	93,151
Net OPEB obligation beginning of year	<u>380,283</u>
Net OPEB obligation end of year	\$ <u>473,434</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the County contributed \$47,320 to the medical plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2013	\$ <u>160,087</u>	77.55%	\$ <u>379,736</u>
2014	\$ <u>160,757</u>	99.66%	\$ <u>380,283</u>
2015	\$ <u>140,471</u>	33.69%	\$ <u>473,425</u>

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,312,991 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,312,991. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,676,730 and the ratio of the UAAL to covered payroll was 23.13%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

WAPELLO COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions (Continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2014 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

Mortality rates are from the RPH – 2014 Total Dataset. Annual retirement and termination probabilities were developed using the alternate valuation method as prescribed by GASB 45.

Projected claim costs of the medical plan are \$606 (\$1,316 for retiree and spouse coverage) per month for retirees. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 12: CONSTRUCTION CONTRACT COMMITMENTS

Prior to June 30, 2015 the County had signed several construction contracts that are summarized below:

Total commitments	\$	1,697,737
Less amounts paid or accrued		<u>1,480,022</u>
Remaining commitments	\$	<u>217,715</u>

The remaining balance at June 30, 2015 will be paid as work on the projects progress.

NOTE 13: WAPELLO COUNTY, IOWA FINANCIAL INFORMATION INCLUDED IN THE MENTAL HEALTH REGION

South Central Behavioral Health, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Davis, Appanoose and Wapello County, Iowa. The financial activity of Wapello County, Iowa's Special Revenue, Mental Health Fund is included in South Central Behavioral Health for the year ended June 30, 2015 as follows:

Revenues:		
Property and other county tax		\$ 1,557,529
Intergovernmental revenues:		
State tax credits	\$	133,154
Social services block grant		133,604
Other intergovernmental revenues		<u>54,424</u>
Miscellaneous		<u>7,510</u>
Total revenues		<u>1,886,221</u>

WAPELLO COUNTY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 13: WAPELLO COUNTY, IOWA FINANCIAL INFORMATION INCLUDED IN THE MENTAL HEALTH REGION  
(Continued)

Expenditures:		
Services to persons with:		
Mental illness	921,792	
Intellectual disability	<u>9,509</u>	931,301
General administration		
Direct administration	227,401	
Distribution to regional fiscal agent	<u>672,424</u>	<u>899,825</u>
Total expenditures		<u>1,831,126</u>
Excess of revenues over expenditures		55,095
Fund balance beginning of the year		<u>4,207,869</u>
Fund balance end of the year	\$	<u>4,262,964</u>

NOTE 14: ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Additionally, during the year ended June 30, 2015, it was determined certain assets and related capital leases were mistakenly omitted from the financial statements for purchases made prior to June 30, 2014. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date and to adjust for the omission of certain capital assets and capital leases, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2014, as previously reported	\$ 44,076,371
Net pension liability at June 30, 2014	(4,116,922)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	516,827
Capital assets, net of accumulated depreciation	484,238
Capital leases	<u>(488,307)</u>
Net position June, 30, 2014, as restated	\$ <u>40,472,207</u>

NOTE 15: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2014 have been reclassified to conform to June 30, 2015 presentation.

NOTE 16: SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 25, 2016, the date the financial statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

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WAPELLO COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015

	Governmental Fund Types	Budgeted Amounts		Final to Actual Variance
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 12,293,869	\$ 12,574,667	\$ 12,574,667	\$ (280,798)
Interest and penalty on property tax	160,478	141,000	141,000	19,478
Intergovernmental	4,483,682	4,322,906	4,322,906	160,776
Licenses and permits	43,995	55,100	55,100	(11,105)
Charges for service	872,713	776,947	776,947	95,766
Use of money and property	280,321	230,873	230,873	49,448
Miscellaneous	602,566	396,840	622,515	(19,949)
Total receipts	<u>18,737,624</u>	<u>18,498,333</u>	<u>18,724,008</u>	<u>13,616</u>
<b>DISBURSEMENTS:</b>				
Public safety and legal services	3,816,719	3,972,309	4,030,603	213,884
Physical health and social services	1,175,283	1,498,747	1,498,747	323,464
Mental health	1,732,128	2,186,490	2,186,490	454,362
County environment and education	813,040	842,698	848,198	35,158
Roads and transportation	4,141,246	4,194,940	4,194,940	53,694
Governmental services to residents	639,378	713,721	713,721	74,343
Administration	2,878,445	2,995,136	3,157,606	279,161
Non-program	120,573	139,928	139,928	19,355
Debt service	789,540	798,540	798,540	9,000
Capital projects	2,546,572	4,205,000	4,505,000	1,958,428
Total disbursements	<u>18,652,924</u>	<u>21,547,509</u>	<u>22,073,773</u>	<u>3,420,849</u>
Excess (deficiency) of receipts over (under) disbursements	84,700	(3,049,176)	(3,349,765)	3,434,465
Other financing sources, net	<u>22,324</u>	<u>84,138</u>	<u>90,462</u>	<u>(68,138)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	107,024	(2,965,038)	(3,259,303)	3,366,327
<b>BALANCE - Beginning of year</b>	<u>13,768,449</u>	<u>13,584,122</u>	<u>13,768,443</u>	<u>6</u>
<b>BALANCE - End of year</b>	\$ <u>13,875,473</u>	\$ <u>10,619,084</u>	\$ <u>10,509,140</u>	\$ <u>3,366,333</u>

WAPELLO COUNTY, IOWA

BUDGET TO GAAP RECONCILIATION  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 18,737,624	\$ (15,514)	\$ 18,722,110
Expenditures	<u>18,652,924</u>	<u>(1,321,792)</u>	<u>19,974,716</u>
Net	84,700	(1,337,306)	(1,252,606)
Other financing sources, net	22,324	934,849	957,173
Beginning fund balances	<u>13,768,449</u>	<u>776,291</u>	<u>14,544,740</u>
Ending fund balances	\$ <u>13,875,473</u>	\$ <u>373,834</u>	\$ <u>14,249,307</u>

WAPELLO COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2015

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$526,264. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

WAPELLO COUNTY, IOWA

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR\*

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
County's proportion of the net pension liability	0.063787 %
County's proportionate share of the net pension liability	\$ 2,529,712
County's covered-employee payroll	\$ 5,664,263
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.66 %
Plan fiduciary net position as a percentage of the total pension liability	87.61 %

\* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.



WAPELLO COUNTY, IOWA

SCHEDULE OF COUNTY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 2 FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 535,839	\$ 516,827
Contributions in relation to the statutorily required contribution	<u>535,839</u>	<u>516,827</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>
County's covered-employee payroll	\$ 5,846,094	\$ 5,664,263
Contributions as a percentage of covered-employee payroll	9.17 %	9.12 %

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

## WAPELLO COUNTY, IOWA

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

YEAR ENDED JUNE 30, 2015

#### *Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

#### *Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

WAPELLO COUNTY, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended June 30</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c</u>
2009	July 1, 2008	\$ <u>-</u>	\$ <u>1,414,774</u>	\$ <u>1,414,774</u>	0.00%	\$ <u>4,947,150</u>	28.60%
2010	July 1, 2008	\$ <u>-</u>	\$ <u>1,414,774</u>	\$ <u>1,414,774</u>	0.00%	\$ <u>5,118,699</u>	27.64%
2011	July 1, 2008	\$ <u>-</u>	\$ <u>1,414,774</u>	\$ <u>1,414,774</u>	0.00%	\$ <u>5,370,853</u>	26.34%
2012	July 1, 2011	\$ <u>-</u>	\$ <u>1,567,072</u>	\$ <u>1,567,072</u>	0.00%	\$ <u>5,262,639</u>	29.78%
2013	July 1, 2011	\$ <u>-</u>	\$ <u>1,567,072</u>	\$ <u>1,567,072</u>	0.00%	\$ <u>5,420,518</u>	28.91%
2014	July 1, 2011	\$ <u>-</u>	\$ <u>1,567,072</u>	\$ <u>1,567,072</u>	0.00%	\$ <u>5,783,744</u>	27.09%
2015	July 1, 2014	\$ <u>-</u>	\$ <u>1,312,991</u>	\$ <u>1,312,991</u>	0.00%	\$ <u>5,676,730</u>	23.13%

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## SUPPLEMENTARY INFORMATION

WAPELLO COUNTY, IOWA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015

			Special
	<u>LEC</u> <u>Maintenance</u>	<u>AGHWC</u> <u>Maint</u>	<u>County</u> <u>Recorder's</u> <u>Records</u> <u>Management</u>
<u>ASSETS</u>			
Cash, cash equivalents and pooled investments	\$ 2,280,878	\$ 9,403	\$ 23,252
Receivables:			
Accounts	2	-	1,418
Due from other governments	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>2,280,880</u>	\$ <u>9,403</u>	\$ <u>24,670</u>
<u>LIABILITIES, DEFERRED RESOURCES</u> <u>OF INFLOWS AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ 6,881	\$ -	\$ 5,284
Due to other governments	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>6,881</u>	<u>-</u>	<u>5,284</u>
<u>FUND BALANCES:</u>			
Restricted for:			
Other purposes	<u>2,273,999</u>	<u>9,403</u>	<u>19,386</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>2,280,880</u>	\$ <u>9,403</u>	\$ <u>24,670</u>

## Revenue Funds

<u>Local Option Tax</u>	<u>REAP Fund</u>	<u>Recorder's Electronic Fees</u>	<u>Jail Commissary Fund</u>	<u>Wellness Fund</u>	<u>Drainage Districts</u>	<u>Total</u>
\$ 232,062	\$ 181,449	\$ 421	\$ 57,955	\$ 297	\$ 3,811	\$ 2,789,528
-	1	-	-	-	-	1,421
<u>40,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,583</u>
\$ <u>272,645</u>	\$ <u>181,450</u>	\$ <u>421</u>	\$ <u>57,955</u>	\$ <u>297</u>	\$ <u>3,811</u>	\$ <u>2,831,532</u>
\$ 6,851	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,016
-	-	421	-	-	-	421
<u>6,851</u>	<u>-</u>	<u>421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,437</u>
<u>265,794</u>	<u>181,450</u>	<u>-</u>	<u>57,955</u>	<u>297</u>	<u>3,811</u>	<u>2,812,095</u>
\$ <u>272,645</u>	\$ <u>181,450</u>	\$ <u>421</u>	\$ <u>57,955</u>	\$ <u>297</u>	\$ <u>3,811</u>	\$ <u>2,831,532</u>

WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	Special			
	LEC Maintenance	AGHWC Maint	County Recorder's Records Management	Local Option Tax
<b>REVENUES:</b>				
Local option sales tax	\$ -	\$ -	\$ -	\$ 359,672
Intergovernmental	-	-	-	-
Charges for service	-	-	5,179	-
Use of money and property	9,964	-	3	-
Miscellaneous	11,206	3,001	1	17,748
Total revenues	<u>21,170</u>	<u>3,001</u>	<u>5,183</u>	<u>377,420</u>
<b>EXPENDITURES:</b>				
Operating:				
Public safety and legal services	123,217	-	-	-
County environment and education	-	-	-	56,770
Governmental services to residents	-	-	18,284	-
Administration	-	-	-	28,590
Capital projects	-	-	-	344,068
Total expenditures	<u>123,217</u>	<u>-</u>	<u>18,284</u>	<u>429,428</u>
Excess (deficiency) of revenues over (under) expenditures	(102,047)	3,001	(13,101)	(52,008)
Other financing sources:				
Transfers in	<u>275,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	172,953	3,001	(13,101)	(52,008)
<b>FUND BALANCES - Beginning of year</b>	<u>2,101,046</u>	<u>6,402</u>	<u>32,487</u>	<u>317,802</u>
<b>FUND BALANCES - End of year</b>	\$ <u>2,273,999</u>	\$ <u>9,403</u>	\$ <u>19,386</u>	\$ <u>265,794</u>

## Revenue Funds

<u>REAP Fund</u>	<u>Recorder's Electronic Fees</u>	<u>Jail Commissary Fund</u>	<u>Wellness Fund</u>	<u>Drainage Districts</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 359,672
20,733	-	-	-	-	20,733
-	5,084	-	-	-	10,263
17	-	45,108	-	-	55,092
-	-	-	4,924	-	36,880
<u>20,750</u>	<u>5,084</u>	<u>45,108</u>	<u>4,924</u>	<u>-</u>	<u>482,640</u>
-	-	23,858	-	-	147,075
-	-	-	-	-	56,770
-	-	-	-	-	18,284
-	5,084	-	4,823	-	38,497
<u>4,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>348,644</u>
<u>4,576</u>	<u>5,084</u>	<u>23,858</u>	<u>4,823</u>	<u>-</u>	<u>609,270</u>
16,174	-	21,250	101	-	(126,630)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,000</u>
16,174	-	21,250	101	-	148,370
<u>165,276</u>	<u>-</u>	<u>36,705</u>	<u>196</u>	<u>3,811</u>	<u>2,663,725</u>
\$ <u>181,450</u>	\$ <u>-</u>	\$ <u>57,955</u>	\$ <u>297</u>	\$ <u>3,811</u>	\$ <u>2,812,095</u>



WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2015

	<u>County Offices</u>	
	<u>County Recorder</u>	<u>County Sheriff</u>
<u>ASSETS</u>		
Cash, cash equivalents and pooled investments:		
County Treasurer	\$ -	\$ -
Other County officials	64,186	38,936
Receivables:		
Accounts receivable	-	-
Property tax:		
Delinquent	-	-
Succeeding year	-	-
TOTAL ASSETS	\$ <u>64,186</u>	\$ <u>38,936</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
Due to other governments	64,186	5,079
Compensated absences	-	-
Trusts payable	-	33,857
TOTAL LIABILITIES	\$ <u>64,186</u>	\$ <u>38,936</u>

<u>E911</u>	<u>Joint Disaster Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Corporations</u>	<u>Townships</u>	<u>Schools</u>	<u>Area Schools</u>
\$ 310,511	\$ 73,013	\$ 80	\$ 320,019	\$ 5,873	\$ 325,154	\$ 21,565
		-			-	-
177,558		-				
-		9	36,825	885	39,616	2,651
		3,477	13,932,108	334,760	14,989,317	1,003,070
\$ <u>488,069</u>	\$ <u>73,013</u>	\$ <u>3,566</u>	\$ <u>14,288,952</u>	\$ <u>341,518</u>	\$ <u>15,354,087</u>	\$ <u>1,027,286</u>
\$ 128,882	\$ 298	\$	\$	\$	\$ -	\$
359,187	72,715	3,566	14,288,952	341,518	15,354,087	1,027,286
\$ <u>488,069</u>	\$ <u>73,013</u>	\$ <u>3,566</u>	\$ <u>14,288,952</u>	\$ <u>341,518</u>	\$ <u>15,354,087</u>	\$ <u>1,027,286</u>

WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2015

	County Conservation Trust	County Assessor
<u>ASSETS</u>		
Cash, cash equivalents and pooled investments:		
County Treasurer	\$ 1,045	\$ 488,726
Other County officials	-	-
Receivables:		
Accounts receivable	-	-
Property tax:		
Delinquent	-	1,612
Succeeding year	-	609,878
	<u>1,045</u>	<u>609,878</u>
TOTAL ASSETS	\$ <u>1,045</u>	\$ <u>1,100,216</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ 151,267
Due to other governments	-	924,204
Compensated absences	-	24,745
Trusts payable	<u>1,045</u>	<u>-</u>
TOTAL LIABILITIES	\$ <u>1,045</u>	\$ <u>1,100,216</u>

<u>Agricultural Extension Education</u>	<u>Auto License and Use Tax</u>	<u>South Central Behavioral Health Region</u>	<u>Special Assessments</u>	<u>Advance Tax</u>	<u>Total</u>
\$ 4,627	\$ 841,153	\$ 490,665	\$ 10,070	\$ 89,104	\$ 2,981,605
-	-	-	-	-	103,122
-	-	-	-	-	177,558
564	-	-	-	-	82,162
214,644	-	-	-	-	31,087,254
<u>\$ 219,835</u>	<u>\$ 841,153</u>	<u>\$ 490,665</u>	<u>\$ 10,070</u>	<u>\$ 89,104</u>	<u>\$ 34,431,701</u>
\$ -	\$ -	\$ 10,979	\$ -	\$ -	\$ 291,426
219,835	841,153	479,686	10,070	89,104	34,080,628
-	-	-	-	-	24,745
-	-	-	-	-	34,902
<u>\$ 219,835</u>	<u>\$ 841,153</u>	<u>\$ 490,665</u>	<u>\$ 10,070</u>	<u>\$ 89,104</u>	<u>\$ 34,431,701</u>

WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2015

<u>ASSETS AND LIABILITIES</u>	<u>County Offices</u>	
	<u>County Recorder</u>	<u>County Sheriff</u>
Balances beginning of year	\$ <u>72,091</u>	\$ <u>42,369</u>
Additions:		
Property and other County tax	-	-
E911 surcharge	-	-
State tax credits	-	-
Reimbursements	-	-
Office fees and collections	372,588	154,961
Auto licenses, use tax and postage	50,823	-
Trusts	-	735,481
Miscellaneous	<u>84</u>	<u>5</u>
Total additions	<u>423,495</u>	<u>890,447</u>
Deductions:		
Agency remittances:		
To other funds	184,470	157,537
To other governments	246,930	-
Trusts paid out	-	736,343
Total deductions	<u>431,400</u>	<u>893,880</u>
Balances end of year	\$ <u>64,186</u>	\$ <u>38,936</u>

## Schedule 4

<u>E911</u>	<u>Joint Disaster Services</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Corporations</u>	<u>Townships</u>	<u>Schools</u>	<u>Area Schools</u>
\$ <u>391,454</u>	\$ <u>74,762</u>	\$ <u>3,623</u>	\$ <u>14,209,173</u>	\$ <u>323,489</u>	\$ <u>15,561,784</u>	\$ <u>875,671</u>
-	-	3,354	13,139,403	368,198	14,348,343	1,137,088
403,767	-	-	-	-	-	-
-	-	304	1,353,400	19,521	1,278,891	84,431
-	114,586	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
39	70	-	-	-	-	-
<u>403,806</u>	<u>114,656</u>	<u>3,658</u>	<u>14,492,803</u>	<u>387,719</u>	<u>15,627,234</u>	<u>1,221,519</u>
-	-	-	-	-	-	-
307,191	116,405	3,715	14,413,024	369,690	15,834,931	1,069,904
-	-	-	-	-	-	-
<u>307,191</u>	<u>116,405</u>	<u>3,715</u>	<u>14,413,024</u>	<u>369,690</u>	<u>15,834,931</u>	<u>1,069,904</u>
\$ <u>488,069</u>	\$ <u>73,013</u>	\$ <u>3,566</u>	\$ <u>14,288,952</u>	\$ <u>341,518</u>	\$ <u>15,354,087</u>	\$ <u>1,027,286</u>

WAPELLO COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2015

<u>ASSETS AND LIABILITIES</u>	County Conservation <u>Trust</u>	County Assessor	Agricultural Extension <u>Education</u>
Balances beginning of year	\$ <u>1,045</u>	\$ <u>1,390,511</u>	\$ <u>222,325</u>
Additions:			
Property and other County tax	-	675,340	209,109
E911 surcharge	-	-	-
State tax credits	-	53,361	18,103
Reimbursements	-	-	-
Office fees and collections	-	232	-
Auto licenses, use tax and postage	-	-	-
Trusts	-	-	-
Miscellaneous	-	108	-
Total additions	<u>-</u>	<u>729,041</u>	<u>227,212</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	-	1,019,336	229,702
Trusts paid out	-	-	-
Total deductions	<u>-</u>	<u>1,019,336</u>	<u>229,702</u>
Balances end of year	\$ <u>1,045</u>	\$ <u>1,100,216</u>	\$ <u>219,835</u>

<u>Auto License and Use Tax</u>	<u>South Central Behavioral Health Region</u>	<u>Special Assessments</u>	<u>Advance Tax</u>	<u>Tax Redemption</u>	<u>Total</u>
\$ <u>736,528</u>	\$ <u>-</u>	\$ <u>12,675</u>	\$ <u>97,913</u>	\$ <u>-</u>	\$ <u>34,015,413</u>
-	-	-	88,933	813,030	30,782,798
-	-	-	-	-	403,767
-	-	-	-	-	2,808,011
-	1,095,843	-	-	-	1,210,429
-	-	-	-	-	527,781
9,131,042	-	-	-	-	9,181,865
-	-	-	-	-	735,481
-	672	33,923	-	-	34,901
<u>9,131,042</u>	<u>1,096,515</u>	<u>33,923</u>	<u>88,933</u>	<u>813,030</u>	<u>45,685,033</u>
294,788	-	-	-	-	636,795
8,731,629	605,850	36,528	97,742	-	43,082,577
-	-	-	-	813,030	1,549,373
<u>9,026,417</u>	<u>605,850</u>	<u>36,528</u>	<u>97,742</u>	<u>813,030</u>	<u>45,268,745</u>
\$ <u>841,153</u>	\$ <u>490,665</u>	\$ <u>10,070</u>	\$ <u>89,104</u>	\$ <u>-</u>	\$ <u>34,431,701</u>



WAPELLO COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>REVENUES:</b>				
Property and other County tax	\$ 9,622,011	\$ 9,849,197	\$ 9,909,612	\$ 11,226,576
Interest and penalty on property tax	162,990	181,328	174,788	174,129
Local option sales tax	1,474,558	1,499,176	1,573,872	*
Intergovernmental	5,769,151	4,342,162	5,886,711	10,313,272
Licenses and permits	44,131	67,378	79,421	64,204
Charges for service	859,823	865,847	894,850	845,005
Use of money and property	278,172	253,883	252,078	223,309
Miscellaneous	511,274	675,383	833,772	573,788
<b>Total</b>	<b>\$ 18,722,110</b>	<b>\$ 17,734,354</b>	<b>\$ 19,605,104</b>	<b>\$ 23,420,283</b>
<b>EXPENDITURES:</b>				
Operating:				
Public safety and legal services	\$ 3,830,943	\$ 3,792,791	\$ 3,868,697	\$ 3,637,274
Physical health and social services	1,182,043	1,304,456	1,546,820	1,394,509
Mental health	1,831,126	1,390,455	1,451,357	5,024,991
County environment and education	818,281	810,317	910,928	845,837
Roads and transportation	5,370,516	4,102,792	3,860,466	3,885,452
Governmental services to residents	647,052	647,117	610,668	611,380
Administration	2,882,879	2,853,186	2,775,666	2,749,286
Non-program	120,578	123,328	131,101	128,671
Debt service	789,540	2,204,652	326,124	303,426
Capital projects	2,501,758	3,132,838	3,173,294	5,146,511
<b>Total</b>	<b>\$ 19,974,716</b>	<b>\$ 20,361,932</b>	<b>\$ 18,655,121</b>	<b>\$ 23,727,337</b>

\* Local option sales tax is included in property and other county tax

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 11,268,853	\$ 10,826,651	\$ 10,404,132	\$ 10,079,422	\$ 9,885,133	\$ 8,800,575
168,276	161,408	145,270	130,642	148,757	130,505
*	*	*	*	*	*
7,422,708	6,384,045	6,824,410	6,086,157	5,727,522	6,480,923
37,658	54,931	38,111	71,291	68,963	73,193
847,670	796,228	794,444	800,920	849,239	883,848
218,487	233,464	312,897	509,770	608,468	448,982
356,317	382,279	480,648	350,122	365,097	281,346
<u>\$ 20,319,969</u>	<u>\$ 18,839,006</u>	<u>\$ 18,999,912</u>	<u>\$ 18,028,324</u>	<u>\$ 17,653,179</u>	<u>\$ 17,099,372</u>
\$ 3,543,591	\$ 3,354,911	\$ 3,185,458	\$ 3,019,224	\$ 3,091,326	\$ 3,297,740
1,647,211	1,454,512	1,530,701	1,386,321	1,601,856	1,609,077
4,323,831	3,647,255	4,313,628	4,291,623	4,022,761	3,857,419
981,994	1,115,010	919,729	958,068	648,474	653,939
4,371,424	3,945,493	3,883,815	3,769,465	3,846,746	3,497,777
559,997	592,845	566,725	553,806	499,305	745,395
2,670,332	2,572,225	2,585,350	2,464,761	2,527,710	2,225,882
122,180	121,154	128,107	348,817	107,441	97,637
299,438	299,907		3,095	179,376	193,889
2,002,381	915,872	3,108,318	841,774	601,809	1,435,809
<u>\$ 20,522,379</u>	<u>\$ 18,019,184</u>	<u>\$ 20,221,831</u>	<u>\$ 17,636,954</u>	<u>\$ 17,126,804</u>	<u>\$ 17,614,564</u>

## WAPELLO COUNTY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

<u>GRANTOR/PROGRAM:</u>	<u>CFDA Number</u>	<u>Agency or Pass- Through Number</u>	<u>Program Expenditures</u>
<u>INDIRECT:</u>			
<u>United States Department of Justice:</u>			
Iowa Department of Justice:			
Crime Victim Assistance	16.575	VA-15-77-CJ	\$ <u>32,167</u>
Iowa Department of Public Safety:			
Governor's Alliance on Substance Abuse:			
Violence Against Women Formula Grants	16.588	VW-15-77-CJ	<u>34,934</u>
<u>United States Department of Agriculture:</u>			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administration Matching Grants for			
The Supplemental Nutrition Assistance Program	10.561		<u>25,125</u>
<u>United States Department of Transportation</u>			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C090(79)-63-90	521,450
Highway Planning and Construction	20.205	BROS-C090(74)-8J-90	<u>321,560</u>
			<u>843,010</u>
<u>United States Department of Health and Human Services:</u>			
Iowa Department of Public Health:			
Immunization Cooperative Agreements	93.268	-	2,622
Immunization Cooperative Agreements	93.268		<u>3,458</u>
			<u>6,080</u>
Public Health Preparedness Program (HPP) and Public			
Health Emergency Preparedness (PHEP) Aligned			
Cooperative Agreements	93.074		<u>49,973</u>
Iowa Department of Human Services:			
Refugee and Entrant Assistance - Voluntary Agency Programs	93.566	-	<u>51</u>
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596	-	<u>6,472</u>
Foster Care - Title IV - E	93.658		<u>9,611</u>
Children's Health Insurance Program	93.767		<u>155</u>

WAPELLO COUNTY, IOWA

Schedule 6  
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

<u>GRANTOR/PROGRAM:</u>	<u>CFDA Number</u>	<u>Agency or Pass- Through Number</u>	<u>Program Expenditures</u>
<u>INDIRECT: (Continued)</u>			
<u>United States Department of Health and Human Services:</u>			
<u>(Continued)</u>			
<u>Iowa Department of Human Services: (Continued)</u>			
Adoption Assistance	93.659	-	<u>3,032</u>
Medical Assistance Program	93.778	-	<u>47,378</u>
Social Services Block Grant	93.667	-	<u>141,344</u>
<u>United States Department of Homeland Security:</u>			
<u>Federal Emergency Management Agency:</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	-	<u>510,066</u>
Emergency Management Performance Grants	97.042	-	<u>34,213</u>
Total			\$ <u>1,743,611</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Wapello County, Iowa and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Elected Officials of  
Wapello County, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wapello County, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Wapello County, Iowa's basic financial statements and have issued our report thereon dated February 25, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wapello County, Iowa's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wapello County, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of Wapello County, Iowa's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 15-II-E to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 15-II-A through 15-II-D to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wapello County, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 15-IV-I.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Wapello County, Iowa's Response to Findings

Wapello County, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Wapello County, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Wapello County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
February 25, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Elected Officials of  
Wapello County, Iowa

Report on Compliance for Each Major Federal Program

We have audited Wapello County, Iowa's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Wapello County, Iowa's major federal programs for the year ended June 30, 2015. Wapello County, Iowa's major federal programs are identified in part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Wapello County, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wapello County, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Wapello County, Iowa's compliance.

Opinion on Each Major Federal Program

In our opinion, Wapello County, Iowa, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

## Report on Internal Control over Compliance

Management of Wapello County, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wapello County, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wapello County, Iowa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
February 25, 2016



WAPELLO COUNTY, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditor's Results

- a. Unmodified opinions were issued on the financial statements.
- b. Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- e. An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major programs were CFDA Number: 20.205 Highway Planning and Construction  
97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Wapello County, Iowa qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

- 15-II-A Capital Asset Deletions – During our review of capital assets, it was determined that the County does not have a written policy regarding the deletion of capital assets.

Recommendation – The County should adopt a policy that includes who has authority to delete an asset, when this can be done and what documentation should be maintained relating to the deletion.

Response – We will adopt a policy for capital asset deletions.

Conclusion – Response accepted.

- 15-II-B Expenditures – During our testing of expenditures we found several expenditures in the IT department that were paid at least 2 months after the billing or shipping date and two expenditures that included late payment fees.

Recommendation – Department heads should make sure that claims are turned in for payment by the Auditor's office in a timely manner to avoid unnecessary late fees.

Response – We will do so.

Conclusion – Response accepted.

- 15-II-C Local Option Tax Disbursements – During our testing of expenditures, it was determined that an expenditure paid to Regional Utility Service Systems (R.U.S.S.) for \$61,425 as a fee to withdraw from a 28e agreement may not meet the intended use of the local option sales tax ballot from 2012.

Recommendation – The County should consult with legal council to determine if this expenditure is an appropriate use of Local Option Sales Taxes designated for capital projects.

Response – The County will make a transfer from general basic to the local option tax fund to reimburse the fund for the R.U.S.S. payment.

Conclusion – Response accepted.

WAPELLO COUNTY, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

Part II: Findings Related to the Financial Statements (Continued)

- 15-II-D Employee W-2 -- During the audit, it came to our attention that a W-2 for a former employee of the County, may have been improperly prepared.

Recommendation -- The County should determine if the amounts reported in the W-2 are correct and if necessary, amend the corresponding payroll tax returns and the W-2.

Response -- We will look into this.

Conclusion -- Response accepted.

- 15-II-E Financial Reporting -- During the year ended June 30, 2015, it was determined that certain capital assets and related capital leases that were purchased and issued prior to July 1, 2014 were mistakenly omitted from the capital assets listing and the long term debt schedules. The effects of these omissions are shown in Note 14 of the current year financial statements.

Recommendation -- The County should maintain an updated listing of capital assets, as well as a long term debt schedule that reconciles to the audited financial statements.

Response -- We will do so in the future.

Conclusion -- Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questions Costs For Federal Awards:

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting

- 15-IV-A Certified Budget -- Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.
- 15-IV-B Questionable Expenditures -- We noted no expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 15-IV-C Travel Expense -- No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 15-IV-D Business Transactions -- No business transactions between the County and County officials or employees were noted.
- 15-IV-E Bond Coverage -- Surety bond coverage of County officials and employees is in accordance with statutory provisions.
- 15-IV-F Board Minutes -- No transactions were found that we believe should have been approved in the Board minutes but were not.
- 15-IV-G Deposits and Investments -- No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

WAPELLO COUNTY, IOWA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting (Continued)

15-IV-H Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

15-IV-I County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2015 for the County Extension Office exceeded the amounts budgeted.

Recommendation – The budget should have been amended before expenditures exceeded budgeted amounts.

Response – We will do so in the future, if necessary.

Conclusion – Response accepted.